

Message Text

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17/73

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 COME-00

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 AGR-20 FEA-02 ABF-01 FSE-00 L-03 PA-04

PRS-01 SSO-00 NSCE-00 USIE-00 INRE-00 DRC-01 /185 W

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O R 252050Z SEP 74

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC IMMEDIATE 8706

INFO AMEMBASSY CANBERRA

AMEMBASSY LONDON

OECD PARIS 328

AMEMBASSY SUVA

UNCLAS WELLINGTON 3040

C O R R E C T E D C O P Y) TAGS AND SUBJ)

EO 11652: NA

TAGS: EFIN, NZ

SUBJECT: NINE PER CENT NZ DOLLAR DEVALUATION

REF A. WELLINGTON 3030 (NOTAL)

B. CANBERRA'S 6260

1. NZ DEVALUATION WAS TRIGGERED BY AUSTRALIAN 12 PERCENT DEVALUATION. THOUGH NZ DEVALUATION HAS BEEN BRUITED ABOUT FOR PAST SIX MONTHS, INFORMED OBSERVERS GENERALLY AGREED THAT GNZ WOULD PROBABLY HOLD OFF ON THIS STEP AS LONG AS POSSIBLE AND IN ANY CASE UNTIL AFTER TURN OF NEW YEAR-UNLESS REPEAT UNLESS AUSTRALIA DEVALUED.

2. BECAUSE OF CLOSE TRADING TIE TO AUSTRALIA, PRESSURE ON GNZ TO FOLLOW SUIT IN ANY AUSTRALIAN DEVALUATION WOULD BE UNCLASSIFIED

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TREMENDOUS. TWO SECTORS WHERE NZ EXPORT EARNINGS HAVE BEEN

INCREASING HAVE BEEN MANUFACTURERS AND FORESTRY PRODUCTS. THE PRINCIPAL SINGLE DESTINATION OF FORESTRY AND MANUFACTURED PRODUCTS IS AUSTRALIA.

3. NINE PER CENT DEVALUATION WILL BRING NZ AND AUSTRALIAN DOLLAR BACK TO RELATIVE VALUES OF SEVERAL MONTHS AGO BEFORE AUSTRALIAN DOLLAR THEN TIED TO THE APPRECIATING US DOLLAR ROSE ABOUT THREE TO FOUR PER CENT ABOVE THE FLOATING NZ DOLLAR.

4. THOUGH NZ FARMER WHO HAS BEEN HIT HARD BY THE SQUEEZE BETWEEN GREATLY RISING PRODUCTION COSTS (EG FERTILIZERS, FUEL) AND SHIPPING COSTS AND FALLING EXPORT VALUES, WILL NOW BENEFIT SOME FROM DEVALUATION, NZ'S TOTAL FOREIGN EXCHANGE EARNINGS FROM MOST OF ITS AGRICULTURAL EXPORTS WILL NOT BE GREATLY AFFECTED.

5. NZ RECENTLY CONSUMMATED LOAN AGREEMENTS WILL MEAN ADDED EXCHANGE BURDEN ON THAT SHARE OF LOANS THAT HAVE BEEN ACTUALLY ALREADY DRAWN DOWN.

6. COMMENT HAS BEEN MIXED. LEADER OF THE OPPOSITION R. MULDOON HAS BRANDED STEP AS TIMID AND TARY. FEDERATED FARMERS PRESIDENT SAID TIMING WAS GOOD BUT DEVALUATION SHOULD HAVE MATCHED AUSTRALIA'S 12 PERCENT. PRESIDENT OF NZ MANUFACTURERS FEDERATION POINTED OUT IMPROVED COMPETITIVENESS FOR NZ EXPORTS (READ MANUFACTURED) EVERYWHERE EXCEPT AUSTRALIA WHERE ADVERSE EFFECT WOULD BE SLIGHT ON TRANS-TASMAN TRADE.

7. MINISTER OF FINANCE TIZARD SAID GNZ HAD ONLY HINTS OF DEVALUATION BUT PRECISE INFORMATION WAS ONLY RECEIVEDN MORNING OF AUSTRALIAN DEVALUATION. HE EMPHASIZED GNZ'S ACTION WAS ONLY REPEAT ONLY BECAUSE OF AUSTRALIA'S DEVALUATION.
KILLGORE

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